



Lloyds Bank Limited
MONTHLY REVIEW
NOVEMBER 1930



Lloyds Bank Limited

AUTHORISED CAPITAL	..	..	..	..	£74,000,000
SUBSCRIBED CAPITAL	..	..	..	..	£73,302,076
PAID-UP CAPITAL	..	..	..	..	£15,810,252
RESERVE FUND	..	..	..	..	£10,000,000
DEPOSITS, &c. (30th June, 1930)	..	..	..	..	£352,875,561

Head Office: LONDON, E.C. 3

DIRECTORS

J. W. BEAUMONT PEASE, Chairman

SIR AUSTIN E. HARRIS, K.B.E., Deputy Chairman

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INVERFORTH, P.C.
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PHILIP E. NOBLE

WILLIAM W. PAINE
ALWYN PARKER, C.B., C.M.G.
ARTHUR E. PATTINSON
SAMUEL SAMUEL, D.L., M.P.
The Rt. Hon. The EARL OF
SELBORNE, K.G., P.C.,
G.C.M.G.
HERMAN B. SIM
SIR EDWIN F. STOCKTON
The Rt. Hon. LORD WEIR
OF EASTWOOD, P.C.,
LL.D., D.L.
EVAN WILLIAMS, D.L.

Chief General Managers

F. A. BEANE

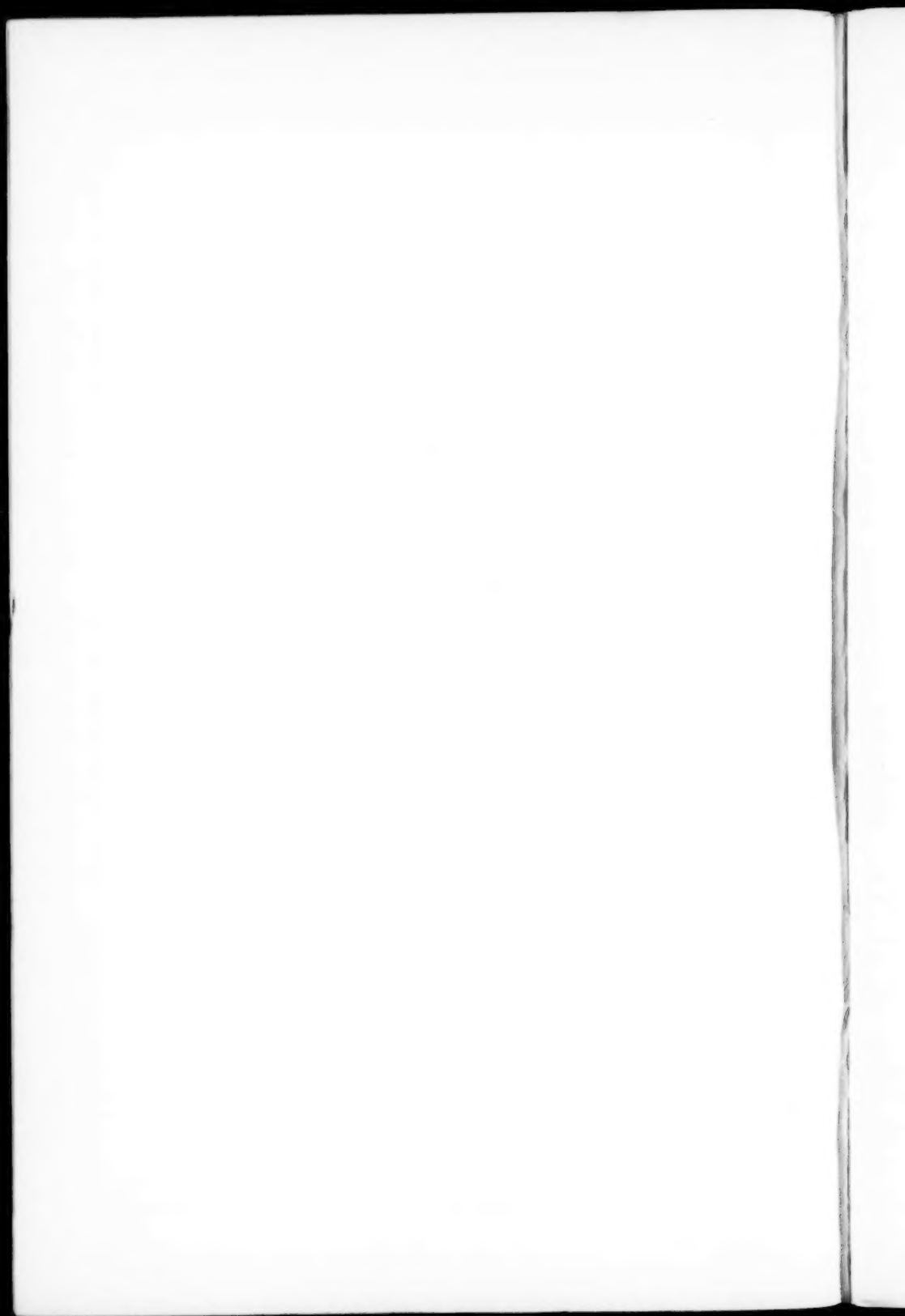
G. F. ABELL

Joint General Managers

A. DAVIDSON. W. G. JOHNS, D.S.O. R. A. WILSON. S. PARKES. S. P. CHERRINGTON

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Lloyds Bank Limited

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No. 9

** * It is proposed to publish from time to time in Lloyds Bank Monthly Review signed articles by economists of standing, affording opportunities to exponents of different theories to state their case. The Bank is not necessarily in agreement with the views expressed in such signed articles.*

Investment Trusts

By Wm. Walter Brock.

AN outstanding feature of investment in recent years has been the rapid increase in the number of investment trust companies, and it may perhaps be worth while considering briefly the form and functions of these companies and the value of their services to investors. Although the meaning of the words "investment trust" is well known to those familiar with financial matters, it is perhaps necessary to explain what the words represent, as understood by those connected with the organization and management of such companies. Speaking generally, and of Great Britain only, an investment trust company is a limited liability company incorporated under the Companies Acts in just the same manner as a commercial or industrial company. The share capital is subscribed by the shareholders in the usual way in the form of cash. It is the business of the company to invest the capital thus subscribed by the shareholders in a wide variety of investments, there usually being a definite limitation on the percentage of the company's funds which it is permissible to place in any one investment. Out of the income from its investments the investment company pays dividends on its own share capital to its shareholders.

If the investment company be a public one, and it is primarily with such that this article is concerned, its shares will be quoted on the Stock Exchange and can be bought or sold in the ordinary way through a stockbroker. In the majority of cases the shares of an investment trust in this country, when fully paid up, are converted into preference stock and ordinary stock in certain

proportions. A common practice is to issue the share capital originally in the form of £10 shares payable by instalments over several months. On being fully paid each £10 share is then converted into probably £6 of preference stock entitled to a cumulative dividend of, say, 5 per cent, and £4 of ordinary stock entitled to all of the remaining profits. Some companies divide the shares into equal proportions of preference and ordinary stock, while others retain the share capital in its original form of shares, in which case the denomination is usually of £1.

The argument in favour of converting the share capital into two classes of stock is that it enables a shareholder to sell a portion of his original holding in the form of preference stock to someone who wants an investment of the fixed yield type and to retain in the form of ordinary stock his interest in the equity or potential surplus earning power of the company at a considerably reduced outlay. The proceeds of the sale of the preference stock may enable a shareholder to increase his holding of ordinary stock by purchase in the market. On the other hand, the prospect that on conversion of the shares into preference and ordinary stocks he may be able to dispose of his preference stock may enable him to subscribe for a greater number of shares in the original capital than otherwise he would have done.

In actual practice an investment trust preference stock, carrying a dividend of 5 per cent, at present cannot be sold at par, and the discount at which it may be quoted, generally of 10 to 15 points, is reflected in the cost of the ordinary stock. As an example, if out of an original investment of £100, £60 preference stock is sold at 90, that is for £54, the £40 ordinary stock will have cost £46, or at the rate of £115 for every £100 ordinary stock. It is obvious that when the share capital is split into preference and ordinary stocks an increase in the profits of the company will represent a greater percentage on the smaller amount of ordinary stock than if it had to be spread over the whole of the original share capital. Conversely, and this may be a disadvantage, any decrease of profits will fall relatively more heavily on the ordinary stock. As, however, profits normally should show a gradual increase, and dividend distributions generally are kept well within the profits available, this possible disadvantage is not generally regarded seriously.

It is the usual policy of an investment trust to supplement its resources by borrowing an amount which is generally limited

by its articles of association to a sum equal to the issued share capital, plus a small additional amount for temporary purposes. Naturally the object is to invest the money borrowed at a rate of interest higher than has to be paid, and this borrowing usually takes the form of an issue of debenture stock carrying a low rate of interest. The principal of the debenture stock in most cases is made definitely repayable at the end of a considerable period, usually 25 to 35 years, although in order to avoid the company being tied to a particular date which might prove to be inconvenient, power is generally reserved to repay on a given notice at any time during the last five or ten years of the period. Some companies also issue what are called terminable debentures, repayable at the end of periods which vary from three to ten years according to the selection of the lender. In the case of an English investment company it is customary for the debentures or debenture stock to be secured by a floating charge on the assets, subject only to any security which it may be permissible to give to the company's bankers or others in respect of the temporary borrowing power. Usually the temporary borrowing is limited to a relatively small amount, probably not exceeding 20 per cent of the issued share capital for the time being. A trustee is appointed to look after the interests of the debenture-holders and the regulations affecting the stock are set forth in a trust deed. The law of Scotland does not permit of the creation of a floating charge, but the limitation on the company's borrowing powers and restriction on pledging of assets contained in the trust deed achieve practically the same result. In neither country is it usual to pledge the investments specifically in security for the debentures or debenture stock, as in practice this would be inconvenient owing to frequent changes of investments. Instead of placing the whole of the debenture stock simultaneously in one block, some companies, particularly the Scottish ones, prefer to issue it gradually over a period and to keep it constantly on offer until the whole issue is sold.

The debentures and debenture stocks of leading investment trust companies are recognised as investments of the highest character. They are not investments authorized under the Trustee Acts, but it says much for the belief in their soundness that trustees frequently invest in them when permitted to do so by the terms of the trusts under which they act. The preference stocks must also be accorded a very high place in the investment scale, and when there is the additional security

provided by the accumulation of large reserves, there is justification for regarding them also as practically gilt-edged in character. The debenture stocks are usually issued at a small discount to give a return to the investor of from $5\frac{1}{2}$ per cent to $5\frac{3}{4}$ per cent. The preference stocks at present sell on a basis to yield from $5\frac{1}{4}$ per cent to $5\frac{3}{4}$ per cent.

It is perhaps desirable to draw attention to the distinction between an investment trust company and a finance company. These are now separately classified in the London Stock Exchange Official List under the headings of "Investment Trusts" and "Financial Trusts Land and Property" respectively. It should be noted that it does not necessarily follow that a company is exclusively in the one category or the other, and also that a number of what are primarily finance companies bear the misleading name of Investment Trust. The primary object of an investment trust company is to purchase investments to hold, not with a view to their re-sale at a profit, but for the sake of the income they yield or are expected to yield in the future. Certain investment trust companies invest to a substantial extent in securities which give a very low immediate return, and the statement is sometimes made by such a company that the policy is to invest largely with a view to capital appreciation. In the long run, however, apart from fluctuations due to changes in the value of money, appreciation must be founded on increased earnings, actual or prospective, and so in fact the primary object is the same, namely, to attain increased income from the investments in the form of dividends.

The business of a finance company, on the other hand, is to acquire interests in undertakings or in stocks and shares with a view to turning them over at a profit. Profits of this nature are the object of the company's existence and form the main part of its income. The amount at stake in any one venture is not limited to a small percentage of the company's funds, and as the business is concerned more with financial deals, it is apt to be speculative in character. It should not be inferred, however, that an investment trust company abstains from turning over its investments. On the contrary, it is the duty of the directors of an investment trust company constantly to review its investments with a view to making advantageous exchanges, to disposing of any investment whose market price may have risen to a figure which appears to be out of relation to present or prospective earnings, or is otherwise unjustified, or to disposing

of any investment the prospects of which have become unfavourable.

Unlike a finance company, the profits representing the difference between the purchase and sale price of an investment in the case of an investment trust company are regarded as capital and treated in its accounts as not being available for distribution as dividend. If the company's articles of association permit, such capital profits may be applied to writing off expenditure of a capital nature, such as preliminary expenses, discount on issues of debenture stock, etc., or in writing down the cost of the investments; otherwise they must be carried to a capital reserve fund. In this manner and by refraining from distributing in dividends the whole of the income from investments the leading investment trust companies over a period of years have built up substantial reserves. As in the case of the individual investor these capital profits, not resulting from trading in securities, are not liable to assessment to Income Tax.

A further distinction between an investment trust company and a finance company is that the former may pay a dividend, although the market value of its investments may have depreciated, while the latter may not make any distribution which would leave its capital otherwise than intact. Following this principle, a number of recently formed investment trust companies paid dividends notwithstanding that the aggregate market value of their investments under prevailing conditions showed depreciation. In such cases the conservative policy of refraining from increasing dividends was, however, generally followed. Mention may be made in passing of another type of investment trust company formed to specialize in securities of a particular industry or class or country, such as investments in rubber or tea producing companies, foreign railways, etc. Such companies, however, do not come within the scope of this article, as the distribution of risk is too restricted to comply with ordinary investment trust principles.

While the principles under which investment trust companies operate are in themselves sound, management, as in the case of any business, is all important if a company is to be progressive and successful. The choice of the board of directors is therefore of the utmost importance. Above all, the directors must be persons of unquestionable integrity. It will be found that most boards are of moderate size and contain individual

members with actual experience of investment business, and others, each of whom, at least, has established a record of efficiency in his own particular line of business.

Incidentally, it may be mentioned that certain companies, which collapsed last autumn, bearing names resembling those of investment trust companies, were not companies conducting a genuine investment trust company business such as described herein, and that no anxiety need be felt as to any investment trust company conducted on the usual sound lines being involved in such a catastrophe. Still, the prospective investor should invariably satisfy himself as to the composition of the board and the conduct of the company's business, and may easily obtain guidance on the subject by making enquiry through his stockbroker.

In the conduct of the trust company's business, one of the board may act as managing director, or a manager or firm of managers may be employed, the last-named arrangement possibly simplifying the question of continuity. The remuneration of the management, including directors' fees, is frequently fixed by the company's articles of association at a sum equal to one-half of one per cent of the company's issued capital and debentures for the time being, and usually ranges from one-quarter of one per cent to one-half of one per cent, according to circumstances.

With their annual reports many of the companies publish a complete list of their investments, but some include only a classified summary showing the percentage of the funds invested in each class of business and in each country, as also the proportions in bonds, debentures, preference and ordinary stocks. Again other give no information as to their investments beyond such details as the respective chairmen may disclose at the annual meetings. Opinions differ as to the advisability of publishing the list of investments. The directors of companies which publish lists of their investments adopt the view that the shareholders ought to know how their money is invested, and that although such lists comprise only the investments held at a given date and do not disclose securities bought and sold within the period of the accounts, they at least give an indication of the general policy of the board as regards the type of investment held. Opponents of this view declare that publication is not in the best interests of the shareholders and might be detrimental if the company wished to realise an investment which had not an active market. They also consider that shareholders might be induced to invest their own money in some of the securities which

they see in such a list, unmindful of the possibility that the company might have made the investments under different circumstances and at very different prices from those ruling when the shareholder received the list, and that the company perhaps would not make the investments at that time and might in fact have disposed of them. It can at least be said that the advocates of both views can number among their adherents some of the soundest and most successfully managed companies.

In the balance sheet of an investment trust company the investments are generally shown in one sum. If there is no note to the contrary on the balance sheet or in the directors' or auditors' reports, it may be taken that the investments are in the aggregate worth the amount at which they are stated in the balance sheet. Frequently the market value is given in the annual report or in the chairman's speech, and in the case of companies established for a number of years it is usually considerably in excess of the value in the balance sheet.

The history of investment trust companies in this country goes back many years. As a result of the Baring crisis of 1891 a number of the companies fared badly, but thereafter for a long period down to the present time the record has been one of singular success. The period of the Great War taxed their strength, but thanks to the conservative policy generally pursued, the leading companies now find themselves in a position of still greater financial strength. Advocates of the system may, therefore, justly claim that the well managed and soundly conducted investment trust company performs a real service to the investor whether great or small. It may well be that an individual investor may achieve equally satisfactory results by making his own investments direct, but there are many opportunities open to an investment trust company of an underwriting nature and otherwise which are seldom available to the individual. Assuming he is sufficiently wealthy to be able to invest in a large enough number of investments to reduce the element of risk to a minimum, he must have the aptitude for the work and be able to devote practically his whole time to watching the daily and hourly changes which may render it necessary or desirable to dispose of certain interests and acquire others. Alternatively, he would require to employ a trained staff, the expense of which in all probability would be greater than the comparatively low percentage of working expenses charged by a well-managed trust company. In the majority of cases it would be

impracticable also for an individual to establish quite as advantageous relations with financial houses and to form connections with well-informed correspondents in other countries. Moreover, the average private investor, unlike an investment trust company, is unable to borrow money in the form of a long-term debenture stock at a low rate of interest, nor does he have the benefit that accrues to the holder of ordinary stock in an investment trust company, of being able to dispose of his preference stock on a $5\frac{1}{2}$ per cent to $5\frac{3}{4}$ per cent basis. This latter process is in reality equivalent to an additional permanent loan. The ordinary stock of a well-managed investment trust company therefore provides an investment which, consistent with a high general level of security, is likely to earn a higher average rate of return than is usually possible to the individual. The stocks of investment trust companies are generally acquired by investors to be retained as permanent investments, with the result that the market in them is sometimes inactive and purchase or realisation at a moment's notice is not always practicable. The same, however, may be said of many investments otherwise desirable, and in any case the prudent investor will always have a proportion of his funds in some readily realisable form, and will not tie up the whole of his means in one type of investment.

The National Accounts

EVEN though the bulk of the national revenue is collected in the last quarter of the financial year, the returns for the first six months of the year 1930-31 afford sufficient information to enable some idea to be formed as to how far the year's budget estimates are likely to be fulfilled. Briefly, these estimates were as follows :—

				£ mill.
Tax Revenue	..	..	..	694.5
Non-tax Revenue	..	..	..	94.9
Total Revenue	..	..	..	789.4
National Debt Interest	..	..	..	304.6
Other Expenditure	..	..	..	427.2
Sinking Fund	..	..	..	55.4
Total Expenditure	..	..	..	787.2
Surplus	..	..	..	2.2

Up to September 30th, tax revenue had amounted to £245.3 millions and non-tax revenue to £50.2 millions, making a total

of £295·5 millions. National debt service had absorbed £145·2 millions, and other expenditure £208·5 millions, while £22·8 millions had been allocated to the sinking fund. This made a total of £376·5 millions. The next thing to do is to analyse these figures in greater detail, and to deduce from the experience of past years and the results to date of the present year what the outcome of the financial year 1930-31 is likely to be.

Beginning with revenue, the results of such an analysis are set out in the following table :—

REVENUE, 1930-31.

Item.	Actual Results First half.	Prospective Result for year.	Original Estimate for year.	Surplus (+) or Deficit (-)
	£ mill.	£ mill.	£ mill.	£ mill.
Income Tax	59·7	260·0	260·0	—
Surtax	13·6	67·6	64·5	+3·1
Estate Duties	42·8	84·0	83·0	+1·0
Stamps	7·9	18·2	27·0	-8·8
Customs	59·8	118·0	122·7	-4·7
Excise	59·8	124·0	129·9	-5·9
Other Taxes	1·4	7·6	7·4	+0·2
Total tax revenue	245·0	679·4	694·5	-15·1
Post Office (net receipt) ..	4·6	8·8	10·1	-1·3
Crown Lands	0·6	1·3	1·3	—
Sundry Loans	17·1	33·0	33·0	—
Miscellaneous Receipts ..	12·2	34·5	34·5	—
Rating Relief Suspense Account	16·0	16·0	16·0	—
Total Revenue	295·5	773·0	789·4	-16·4

Some indication of how the "prospective result for the year" was calculated may now conveniently be given. Last year, income tax yielded £57·4 millions up to September 30th, out of £237·4 millions for the whole year. This year £59·7 millions has so far been obtained, which, on last year's experience, corresponds to a total of £247·0 millions. Mr. Snowden estimated that the increase of 6d. in the pound in the standard rate, which it is important to observe did not affect many of the payments made last July and August, would give him an extra £21·0 millions. This would make a total of £268·0 millions, but allowing for various factors, including the depressed

state of trade, it seems safest to budget only for a maximum of £260.0 millions.

Similar lines of reasoning were followed in order to arrive at the remaining "prospective results." Incidentally, in each case, including that of income tax, the results of the past two years were taken as a guide, though admittedly, in view of the growing depression and unemployment, no such guide can be treated as wholly reliable, and the final results may be less favourable than the present calculations suggest. Again, as regards some of the non-tax items, in the absence of more definite information it has been arbitrarily assumed that on the basis of previous years' results there is no reason why the estimates should not be fulfilled.

The general impression given by the table is that once more the revenue from stamps has been seriously over-estimated by the Chancellor, while bad trade is certain to make appreciable inroads into the original estimates for customs, excise and post office net receipts. To sum up, Mr. Snowden seems likely to end the year at least £16.4 millions short of his estimated revenue which, having regard to the adverse circumstances, he seems to have computed with far too sanguine a temper.

The expenditure side of the accounts is set out in the second table, which was compiled in the same way as the first.

EXPENDITURE, 1930-31.

Item.	Actual Results First half.	Prospective Result for year.	Original Estimate for year.	Excess (+) or Savings (-).
	£ mill.	£ mill.	£ mill.	£ mill.
National Debt Interest ..	145.2	284.0	304.6	-20.6
Other Expenditure	208.5	449.0	417.9	+22.1
Sinking Fund	22.8	76.0	55.4	+20.6
Total Expenditure	376.5	809.0	787.2	+21.8

Cheap money and low discount rates are responsible for the saving of £20.6 millions in national debt interest suggested in the table, but inasmuch as Mr. Snowden has agreed to devote a fixed sum of £360.0 millions to national debt interest and sinking fund, any saving in interest must go to swell the sinking fund. This explains the increase of £20.6 millions in this item.

The figures for "Other Expenditure" are deduced from the experience of previous years. They suggest a possible increase over the current estimate of at least £22·1 millions, especially as fresh commitments are still being incurred in several directions.

It is now possible to recast the table given at the beginning of this analysis :—

			£ mill.
Tax Revenue .. ..	..	..	679·4
Non-tax revenue .. ..	..	..	93·6
Total Revenue .. ..	..	..	773·0
National Debt Interest .. ..	..	..	284·0
Other Expenditure .. ..	..	..	449·0
Sinking Fund .. ..	..	..	76·0
Total Expenditure .. ..	..	..	809·0
Deficit .. ..	..	..	36·0

Thus if the present tentative conclusions are correct, and they err, if at all, on the side of moderation, Mr. Snowden will end the year with a deficit of not less than £36·0 millions. The increase in the sinking fund from £55·4 to £76·0 millions will be illusory, for only a net sum of £40·0 millions will be available for debt redemption.

In a recent speech in the City, Mr. Snowden was inclined to scout forecasts of a deficit of this magnitude, as being too pessimistic. Even so, it is not easy to see what basis he has for this view, though the business world naturally hopes that he is correct. There is, however, one final fact that the Government and the country should both bear in mind. Whether or not heavy taxation is intrinsically a good or a bad thing, there comes a point where fresh increases in the rate of taxation diminish and do not add to the total yield. If we have reached that point, all discussions as to the merits and demerits of high taxation are, from the point of view of balancing the budget, beside the mark. All that remains is to realise that no further addition can be made to the revenue and that the only way to balance the budget is to reduce expenditure. Mr. Snowden's experience during the current financial year, its probable outcome as suggested by this analysis, and the general state of trade and public confidence all combine to suggest that that critical point has been reached. The repetition last month by Mr. Snowden of his hope that he would not have to impose fresh taxation next year is a hint that he realises this fact, but the passage in his speech concerning

the difficulty of enforcing economy was most unconvincing. When will our legislators, of all parties, appreciate the fundamental economic reality that thrift is not only a great virtue but also a great revenue producer? This is really the most urgent question of the hour, and the whole future of democracy is bound up in its solution.

Finance and Industry

(6) The Joint-Stock Bank: (c) Investments, Advances, etc.

COMING now to the less liquid assets of Lloyds Bank, the first item is that of Investments. These consist mainly of British Government Securities, though the bank holds a small proportion of its investments, amounting on December 31st, 1929, to £3,416,527, in the form of Indian and Colonial Government Securities and British Corporation Stocks, and in "Other Investments." The bank's holding of British Government Securities are divided into two categories. The first is that of "Treasury Bonds and other short-term British Government Securities" and the second relates to long-term British Government Stocks. Stock falling due for redemption within a few years is in practice a more liquid form of investment than longer-dated stocks, for its price will remain closer to its par value and will be less subject to market influences and fluctuations, and that is the reason for making the distinction. All securities held by the bank are naturally of the highest grade, so that the risk of any serious loss is small. It must be remembered, however, that if the bank wishes to sell some of its stock it can only do so at the current price, which may involve the bank in a slight profit or loss according to the general trend of prices. Incidentally, investments are shown in Lloyds Bank balance-sheet "at or under market value." Thus every fall in price is fully taken into account. Against this slight disadvantage of fluctuation in capital value must be set the fact that, especially when money rates are cheap, investments are more remunerative to the bank than are short loans and discounts. Thus, recently, the yield upon British Government stocks has been approximately $4\frac{1}{2}$ per cent, as against $2\frac{1}{8}$ per cent upon bills and only 2 per cent upon weekly loans to the money market.

Reference to the balance-sheet shows that a small proportion of the bank's holding of British Government Securities is "Lodged for Public and other accounts and for the Note Issue in the Isle of Man." The notes issued by the bank in the Isle of Man must be backed, pound for pound, by British Government stock, while certain local authorities when they opened accounts with various small country banks many years ago stipulated that their bankers should hold British Government stock as security against their deposits. Even though such small Manx and other country banks have now been merged in Lloyds Bank, this stipulation remains in force, and so Lloyds Bank ear-marks certain of its investments for this purpose.

The next item is that of "Shares in Subsidiary Companies." Full details of their nature and of how they are valued are given in Lloyds Bank balance-sheet. These shares are all in banks and other companies affiliated to Lloyds Bank. There are various reasons for preserving the separate identity of each, a common one being the desirability of preserving the name, traditions and practical independence of long-established and world-famous institutions.

The ownership of Lloyds & National Provincial Foreign Bank Limited is shared equally between the two British banks whose names it bears. Hence it is not a subsidiary of either, and therefore is shown separately in Lloyds Bank balance-sheet.

Next comes the largest item of all, namely, Loans and Advances. This embraces every kind of loan granted by the bank to its customers. It includes the specific advance of, say, £100,000, made to a big municipality or trading concern, which may or may not be drawn against at once. It equally includes the running overdraft with a limit, say, of £100, granted to a professional man, whose account is in credit one week and over-drawn a few pounds the next week. Loans to the farmer, the manufacturer, the shipowner and the shopkeeper, all find their place here, whether they are secured by the deposit of collateral or the guarantee of a friend, or whether they are unsecured and dependent upon the good faith and reputation of the borrower alone.

The granting of loans is in some ways the most difficult side of a banker's work. An adequate supply of bank credit is a vital necessity to the country, but it is here that the risk of loss to the banker is usually greatest.

Apart from the actual loss of his money the banker runs

SHEET, 31ST DECEMBER, 1929.

ASSETS.				£	s.	d.	£	s.	d.
Cash in hand and with the Bank of England				44,203,998	11	2			
Balances with, and cheques in course of collection on, other Banks in the British Isles				12,798,849	5	11	57,002,847	17	1
Money at Call and Short Notice							26,484,814	12	6
Balances with Banks Abroad							4,665,647	7	9
Treasury Bills							27,180,000	0	0
British Bills of Exchange							8,179,603	13	10
Colonial and Foreign Bills							4,265,672	14	0
Investments at or under Market Value :—									
Treasury Bonds and other short-term British Government Securities				17,135,695	9	10			
Other British Government Securities (of which £528,122 : 15 : 0, nominal, is lodged for Public and other Accounts and for the Note Issue in the Isle of Man)				16,581,904	15	3	33,717,600	5	1
Indian and Colonial Government Securities, and British Corporation Stocks							1,179,095	8	11
Other Investments (NOTE.—There is a contingent liability for uncalled Capital in respect of a portion of these Investments)							2,237,431	5	5
							164,912,713	4	7
Shares in Subsidiary Companies :—									
The National Bank of Scotland Limited, £4,877,270 (nominal) Stock (£1,072,999 : 8 : 0 paid up). Taken at Capital paid up, plus proportion of Reserve Fund and undivided Profits				£2,656,908	0	0			
Bank of London & South America Limited, 402,670 shares of £5 each, fully paid, at £8 : 10 : 0 per share				3,422,695	0	0			
Indian Premises Company Limited, 7,000 shares of Rs. 100 each, fully paid, at cost				54,501	14	5			
Nominee and other Companies (written down to nil)				—	—	—	6,134,104	14	5
Lloyds & National Provincial Foreign Bank Limited, 12,000 shares of £50 each, fully paid, at £50 per share							600,000	0	0
Loans and Advances				£191,010,596	6	8			
Balances in account with Subsidiary Companies				741,656	4	6	191,752,252	11	2
Items in transit							3,910,386	4	6
Other Assets and Accounts (including sundry Properties at cost, less amounts written off)							4,689,053	18	9
Bank Premises, at cost, less amounts written off							6,957,722	9	0
Liabilities of Customers for Acceptances, as per contra							8,603,470	5	6
Liabilities of Customers for Endorsements, Guarantees, and other Obligations, as per contra							43,622,815	9	4
							£431,182,518	17	3

another risk, and that is that the loan will not be repaid at the appointed time. A banker is very loth to grant loans for more than a few months, because the money he is lending is not his own, but belongs to his customers, who can withdraw it on demand or at short notice. A banker likes, when making a loan, to know the source of repayment. When a banker takes as security from a borrower readily marketable stocks and shares, he can theoretically recover his money at the appointed time, for if the loan is not repaid he can sell the security and reimburse himself in that way. In fact a banker not infrequently insists that stocks and shares lodged with him as collateral for loans shall be transferred to nominees of the bank, and the balance-sheet of Lloyds Bank reveals the fact that a special subsidiary company exists largely to perform this function.

On the other hand, a banker may be unwilling to inflict hardship of this kind upon an old customer who is in temporary difficulties, while in any case there are a number of loans made against security that is not easily realised. A manufacturer may have borrowed money against the security of a general charge on his factory. When the loan falls due for repayment, the banker may find that the only way of recovering even part of his money is to sell up the factory at its break-up value, at a heavy loss to himself and at the cost to the nation of throwing all employed there out of work. Nor does this necessarily mean that the banker originally made an unjustifiable loan against inadequate security. Both banker and manufacturer may have been the victims of an unexpected set-back in trade.

"Balances in account with Subsidiary Companies" is a small item shown separately to comply with the 1929 Companies Act.

Next comes "Items in transit," which was referred to a month ago. It relates mainly to claims by one branch of Lloyds Bank upon another in respect of cheques already credited to customers at one branch, but not yet debited against the accounts at other branches upon which they are drawn. In other words they consist of operations still incomplete at the time the balance-sheet was drawn up.

"Other Assets and Accounts" includes various items. Firstly, where the bank is forced to take over the collateral lodged with it as security for its loans, the value of the collateral is promptly entered here; thus to a partial extent this item represents the débris of bad debts, consisting of stocks and

shares, and even factories and businesses into which the bank has had to place a receiver, either to sell it up or to carry it on as a going concern until such time as a purchaser can be found. Secondly, this item includes premises acquired for future use as banking offices, but which at the moment are under construction, or standing vacant or occupied by other tenants; thus the bank may acquire a shop next door to one of its branches, so as to be ready for a future extension.

Finally, among the bank's direct and immediate assets comes its Premises. In assessing their balance-sheet value, allowance is made for three factors. The first is their original cost; the second is their depreciation, including in the case of leasehold premises allowance for the gradual expiry of the lease; and the third is the fact that premises are equipped for use as a bank, and as a bank alone, and so cannot always be sold at their intrinsic value to a purchaser who might require them for a different purpose, and who would first have to carry out structural alterations.

Notes of the Month

The Money Market.—As a general rule money has remained plentiful and easy. The clearing banks have continued to lend money for the week at 2 per cent—namely, their customary rate of one point below Bank rate—but other lenders have often been only able to obtain $1\frac{1}{2}$ per cent, while lately one of the clearing banks is believed to have lent some money at 2 per cent until early December, thus making it clear that no change in the position is expected. At times, however, during the past month there have been brief periods of comparative stringency, but these were all due to special and transient causes. Thus, the Treasury bills issued on 30th September were the popular 31st December maturity, and so were applied for in large numbers by the market. Their date of payment coincided with the heavy turnover of funds which is customary at the end of the quarter, and as a result the market was caught short of money and had to borrow about £6,000,000 from the Bank. Next week came the new Treasury offer of 4 per cent 1934-6 bonds, issued by tender at a minimum price of £100 10s. per cent. At one time it was feared that payment of the first call of 10 per cent on these bonds would again cause stringency, but these fears proved groundless. It is possible that special steps had been

taken to stimulate and facilitate the issue. The following week came the Indian 6 per cent loan of £12,000,000. This was heavily over-subscribed, and as the application money, estimated to amount to £4,000,000, disappeared for a few days into the Bank of England, money was once more inclined to be a little less easy than usual. This, however, was only another passing phase, and conditions have since reverted to their customary ease. The lack of demand for credit, due to the trade depression, is still the dominant feature of the market.

The Foreign Exchanges.—The foreign exchange market has been mainly under the influence of political events in Germany and South America. It is now clear that the partial success of the National Socialist party at the German September elections inspired a substantial transfer of capital from Germany to other centres, namely France, Holland, and Switzerland. This set up several cross currents in London. In the initial stages of the movement, the Reichsbank tried to meet it by selling part of its sterling balances for francs and florins. Consequently the mark depreciated in London, while French and Swiss francs and Dutch florins appreciated, and Paris in particular was able to withdraw gold from the Bank of England. Later on, the Reichsbank had to resort to gold shipments to Paris and Amsterdam on its own account, and the pressure on sterling was consequently removed. Finally, the Reichsbank proceeded to re-sell for sterling and other currencies part of the francs obtained in exchange for the gold sent to Paris, and as a result the pound appreciated against the franc to frs. 123·94 on 18th October. Meanwhile the Reichsbank had raised its own discount rate from 4 to 5 per cent as a measure of protection, while steps have been initiated by the German Government to raise a special loan of \$125,000,000 in New York. The serious nature of the incipient "flight from the mark" occasioned by the election is shown by the fact that during the month ended 14th October the Reichsbank sold mks. 350,000,000 of its gold and mks. 450,000,000 of its foreign balances, or mks. 800,000,000 in all. In South America the outbreak of the Brazilian revolt led to a marked general exchange depreciation. A "business holiday" was proclaimed in Brazil, and so spot dealings in the markets were suspended, a nominal rate of 4½d. being quoted against 5½d. on 25th September. The Argentine peso fell from 40½d. to 36½d. on 14th October but rallied later to 38½d. As regards other currencies generally, sterling has remained

very steady against New York at a shade under \$4.86. The Spanish peseta temporarily depreciated to a new low record.

The Stock Exchange.—The continued success of new capital issues of a high-class character, including the Government of India 6 per cent loan of £12,000,000, the London Underground issues of 5 per cent debentures amounting to £4,300,000, and the General Electric Company's 5 per cent debenture issue of £3,500,000, show that there is plenty of money awaiting investment in stocks possessing a high measure of security. The new Treasury bond issue to which reference has already been made, was designed to provide for the redemption of the £75,000,000 still outstanding of the 4 per cent (tax compounded) 1923-42 War Loan. As £105,000,000 of the new bonds were allotted, the Government has obtained more than sufficient funds for its purpose, and the operation was thus highly successful. The gilt-edged market has, on the whole, maintained its firmness, and there has been a good demand for home municipal stocks. Foreign bonds have been adversely affected by events in Germany and Brazil. Other markets remained dull and disappointing until the third week of October, when a sudden general improvement in prices took place, which embraced the home rail and industrial markets, and also those of a more specialised character, such as rubber, oil and mines. It was not easy to discern any genuine basis for this rally, which in some respects resembles the temporary recovery that occurred at the end of August.

Overseas Trade.—The September trade returns were the worst recorded this year, a fact which in conjunction with the further fall in commodity prices, makes it abundantly clear that last month the trade depression remained at its height.

Description.	Jan.-Sept., 1929.	Jan.-Sept., 1930.	Increase (+) or Decrease (-).
	£ mill.	£ mill.	£ mill.
Total Imports	897.2	785.2	-112.0
Retained Imports	812.8	717.5	-95.3
Raw Material Imports	251.1	195.6	-55.5
Total Exports, British Goods	543.4	441.1	-102.3
Coal Exports	35.2	34.9	-0.3
British Manufactured Goods Exports	430.3	343.4	-86.9
Re-Exports	84.4	67.7	-16.7
Total Exports	627.8	508.8	-119.0
Visible Trade Balance	-2.9.4	-276.4	-7.0

The returns for the first three quarters of the year are given above, together with the corresponding figures for 1929. They show that everywhere we have lost ground this year, the most serious developments being the declines of £55·5 millions in raw material imports and of £86·9 millions in exports of British manufactured goods.

Home Reports

The Industrial Situation

Trade remains very depressed, and confidence is still lacking in most industrial circles. The September returns revealed a further increase in unemployment and a decline in foreign trade, and commodity prices have continued their rapid fall. The most hopeful development is a slight revival of demand in the Lancashire cotton trade, but there is still much headway to make before it can have any real impression. Those engaged in the heavy industries are very despondent, and most authorities are unable to say when and where any increase in buying power will stimulate a revival in production.

Agriculture

England and Wales.—According to an official report, harvesting this year was delayed and interrupted by spells of bad weather, and much of the corn was gathered in a damp and soft condition. Some progress has since been made with ploughing, but cleaning of the stubbles has for the most part been impracticable. Potato-lifting has also been retarded, and the quality of the tubers is affected by excessive wet. Live stock has done fairly well, and milk yields were well maintained.

Scotland.—Notwithstanding the unfavourable season, the grain crop is turning out fairly well, and prices are now inclined to harden a little, especially for milling oats. Farmers are busy with potato lifting, and with the present trend of prices a more hopeful feeling is apparent in this trade. In the live stock markets supplies have been larger, and prices have fallen for all except prime quality animals.

Coal

Forward export business is still restricted, pending the appearance of the marketing schemes required by the new Act.

Cardiff.—All classes of coal are readily obtainable at Schedule prices, with the exception of the sized varieties which are scarcer on account of the limited demand for large coals. Competition from Continental producers remains keen.

Swansea.—The steam coal market remains unsatisfactory. The demand for anthracite coal has somewhat improved and, at the moment, employment in this section of the industry is more satisfactory than it has been for some time past.

Hull.—Hards are well stemmed, but all other descriptions of fuel are in stock and prices are easy.

Newcastle-on-Tyne.—Owing to seasonal requirements, there appears to be a better demand for most descriptions of coal.

Sheffield.—Trade remains dull and prices unsteady, due chiefly to the withdrawal of the subsidy for exports. Industrial fuels are in poor demand, and the recurrence of mild weather has had an adverse effect on domestic requirements. Export trade is fairly satisfactory.

East of Scotland.—There is little change in the position, and a considerable amount of time is being lost both in Fife and the Lothians. Navigation coals are moving off with difficulty and prices are still tending downwards, while both prime steams and washed fuels are in little request. Home demand is broadening, but owing to the mild weather it has not so far been so great as usual.

Glasgow.—Home demand is only expanding slowly, and export business is restricted by Polish competition in Scandinavia and by the uncertainties arising out of the Coal Mines Act. Business consequently is of a day-to-day character.

Iron and Steel

No change for the better has occurred, though it is a hopeful sign that a meeting of British steel-makers held in October decided against any further reduction in prices. The number of furnaces in blast remained at 104 during September. The output of steel ingots and castings in September was 580,000 tons, being an increase of 130,000 tons on the output for August, but 267,000 tons less than September of last year.

Birmingham.—Apart from a slightly better demand for high-grade marked bars, business is of a very intermittent character.

Sheffield.—The past month has failed to bring any relief, nor can any improvement be expected until the principal overseas markets resume buying again on something like a normal scale. Meanwhile the industry is working at about 50 per cent capacity. The scrap trade is stagnant.

Walsall.—Tube manufacturers are quiet, and business is still adversely affected by low prices caused by keen foreign competition.

Newport.—Ebbw Vale Works are still idle. The majority of the steel galvanising and tinplate works are working only part time.

Swansea.—Imports of foreign steel continue on a large scale. In the tinplate industry, the minimum selling price has, within the last few weeks, been reduced from 18s. to 17s. per basis box, f.o.b., but this does not appear to have had any material effect upon the market.

Glasgow.—Notwithstanding a better enquiry, business is not improving, and there is a very marked dullness in all branches. Home trade is restricted, and the export market is exceedingly quiet owing to the continued weakness in the continental position, and the consequent reluctance of buyers to commit themselves. Makers are finding it exceedingly difficult to obtain orders, and short time is the invariable rule.

Engineering

Confidence is still lacking. The electrical branches of the industry, together with makers of power-house engines and equipment, remain perhaps the most active.

Birmingham.—There are some signs of improvement in the electrical engineering section. Motor-car and accessories manufacturers are now busy on their seasonal programme, and early reports from the Motor Show indicated that good business was passing. On the whole the outlook is regarded hopefully. Manufacturers of machine tools are much busier, and have fair orders for re-equipment in hand. The railway wagon trades are fairly busy on existing contracts for passenger vehicles.

Coventry.—The attention of motor-car manufacturers has been fixed upon the Exhibition at Olympia. So far, orders received have been encouraging, and production is being undertaken.

Luton.—Hydraulic engineers have been fairly busy, but new orders are falling away. General engineers are well placed. Motor-car manufacturers seem hopeful, while the commercial vehicle trade is steady.

Sheffield.—Conditions in the tool trades are disappointing. The file section is quieter than ever, and some plants are closed down. Engineers' small tools are in fair demand, but business in edge tools and agricultural tools is below the average.

Glasgow.—The prolonged scarcity of contracts is reflected in the growing depression in the shipbuilding industry on the Clyde. Work on hand at the Shipyards is decreasing rapidly, and the outlook in the industry is very gloomy. The marine engineering industry is also very quiet.

Metal and Hardware Trades

Birmingham.—Business is still quiet, as the uncertainty of prices is preventing buyers from placing forward orders.

West of England.—By the cessation of operations at Levant Mine, the tin-producing mines of the west are reduced in number to four. Their output for August was 212 tons of black tin.

Sheffield.—The cutlery and spoon and fork branches are displaying a certain amount of seasonal activity, but the position of the trade as a whole is bad, and prices are cut very fine. There is a brisk demand for cheap bazaar goods. Depression is acute in silver and plated hollow-ware, and export trade is bad.

Cotton

Liverpool.—There was a slight improvement in the trade in cotton on the spot during October, though sales still fall far short of normal for this period of the year. At the same time, a rather more hopeful feeling is prevalent than for some months past, and there has also been a fair volume of actual enquiry for forward deliveries from trade quarters which had previously

shown no interest. A good turnover in Peruvians was reported. The preference for "outside" growths of cotton still continues, and deliveries to the trade of these growths since the beginning of the cotton trade year in August are approximately equal to those of the last two years at a comparable period, though the decrease in the deliveries of American amounts to as much as 50 per cent. The decline in the consumption of American cotton is world-wide, and the supply of that commodity in the United States itself is now over 6 million bales, as against under $4\frac{1}{2}$ millions at the corresponding date last year. Thus, notwithstanding the support given to the market by the U.S. Federal Farm Board, the problem of the disposal of this season's crop is growing still more difficult. The October Bureau estimate was without significance, and price movements over the period have been negligible.

Wool

Bradford.—Business is confined chiefly to Merinos and the finer Crossbreds. Prices hardened slightly in the middle of October, in sympathy with the small advance realised at the sales in Sydney, but transactions were only for small weights, and users are not buying more than sufficient to cover their immediate needs.

Huddersfield.—Markets are uncertain and orders scarce. Manufacturers of ladies' goods are very busy, and some mills are working night and day. Cloths for Canada are being manufactured as expeditiously as possible, as goods ordered before the 16th September are allowed old tariff rates, provided they arrive in Canada by the 30th November.

Hawick.—In the Border tweed trade, confirmations for the spring are slow in coming forward, and although a few houses are notably busy the general situation is dull. The majority of orders are coming from Central Europe and South America. A better feeling is apparent in the hosiery trade, and spinners and dyers are both fairly busy.

Other Textiles

Belfast.—The Linen Market continues quiet, but despite depressing returns and disturbing prognostications, there remains

a fairly confident undertone. Christmas demand has now started, and with the Spring trade to follow there is a feeling that an improvement in conditions will be seen during the next few months. Flax prices are low owing to Baltic and Soviet conditions.

Dunfermline.—A slight liveliness in the linen trade in evidence early in October quickly spent itself, but with prices at their present level every encouragement is being offered to increase trading. The Soviet and Latvian Governments have given no indication yet as to prices in connection with the new flax crop, and the expectations of speculative sellers may easily be disappointed.

Clothing

Bristol.—Trade is below its usual level for October, and some short time is being worked.

Leeds.—Trade has been very quiet since August, but there are now signs of a slight seasonal improvement. Unfortunately, no large bulk orders are coming forward.

Leicester.—Some firms are very busy, but trade generally is on the quiet side. There has been a marked drop in the price of all yarns during recent months, but it is now thought that prices have reached bottom, and that business should improve.

Leather and Boots

Bristol.—The leather trade is very quiet, but prices are steadier than they have been for some time. The heavy boot trade has improved, but business has been quiet, and retailers are undoubtedly carrying smaller stocks than usual in past years.

Leicester.—Business in the shoe trade is rather quiet, but trade should improve when the colder weather arrives. Meanwhile there is a fairly good demand for fancy shoes.

Northampton.—The demand for leather has improved, and prices remain steady. The Leather Fair has given a stimulus to business. Stocks still remain big, but export trade has lately improved. Business in the boot and shoe trade is quiet, and

a moderate output has been maintained. There is still a fair demand for ladies' footwear, mainly for the better qualities and for fancy shoes.

Walsall.—Tanners are quiet. Fancy leather manufacturers are fairly well engaged on Christmas orders, and there is a good demand for sports goods, especially from abroad.

Shipping

Hull.—The chartering market remains quiet, with little new business passing.

Liverpool.—Freight markets have been dull and depressed, and quotations where changed were in a downward direction. The demand for grain carriers from Black Sea and Danubean ports has fallen off.

Newcastle-on-Tyne.—The improvement in the freight market has been checked by the decline in demand from the Danube, owing to the falling away of grain shipments. The Baltic is very quiet, as shipments are ceasing for the winter season.

Newport.—Freights for smaller tonnage have shown rather an improved tendency, but there is little sign of any advance from the present deplorably low level. There are now only 12 vessels laid up, as compared with 19 last month.

Glasgow.—There is still a distinct scarcity of c.i.f. orders for coal, and demand for tonnage is very quiet in all trades. Boats are not, however, being offered freely, and the market is steady at the higher rates recently recorded.

Edinburgh.—In mid-October there were about twenty vessels on loading turn at the Forth coaling ports. Grain shipments were still arriving at Leith on a fairly extensive scale. The freight market continues easy.

Foodstuffs

Bristol.—Trade is on the quiet side, but the outlook is brighter. Bacon, butter and cheese are a good market, and prices show signs of improvement.

Liverpool.—Owing to the prolonged heavy offerings of Russian grain, coupled with the existence of unusually large world supplies, another heavy fall in values was experienced in October, current month's futures having been at one time quoted as low as 5s. 5d. per 100 lbs., compared with an average of 6s. 9d. in 1913. While, of course, every fractional fall in the quotation below present levels must meet with more and more resistance from sellers, in the absence of knowledge as to the extent of future Russian shipments, it is not yet possible to say that bottom has been reached. Moreover, latest reports of the growing crops in the Southern Hemisphere are quite favourable. Maize has been a weak market, on heavy offerings all round, and in sympathy with other commodities. Supplies are large, and it is difficult to see how they will be absorbed in face of the plethora of other feeding stuffs available for the consumers.

During early October bacon was in large demand, but hams were quiet and slightly easier in price, with lard scarce and dearer. Butter and cheese fell appreciably, but their decline stimulated a better consumptive demand, and so the market now shows greater stability. In the canned goods section prices remained unchanged. Meats were in moderate demand, while fruits met with a fair sale.

Fishing

Lowestoft.—The Scottish summer herring fishery, in which a large number of English drifters also participate, virtually ended in September, and has proved a great disappointment to all engaged in it. The barrellage of pickled herrings shows a shortage of nearly 300,000 barrels as compared with the 1929 season, and a considerable proportion of the fishermen failed to earn a living wage.

West of England.—Fishing in Mounts Bay has lately been interrupted by bad weather, but the outlook for the winter herring season is favourable. In Torbay landings for September amounted to 2,214 cwts., valued at £4,914, as against 2,015 cwts. valued at £5,229 in September last year. Demand was quiet and prices lower.

Scotland.—Good accounts are being received from both Yarmouth and Lowestoft of the experience of the Scottish

fleet at the East Coast herring fishing. Prices are averaging 40s. per cran, which is a very satisfactory figure.

Other Industries

Timber.—The Hull trade has been steady with a good demand for building timber. The case trade remains quiet, with a continued shortage of good joinery wood and small boards. Russian wood is going into stock in fair quantities, but total imports of sawn wood are lower than last year. The Buying Corporation have concluded their purchase of the Russian output for 1931, and this should now stabilise the market.

Chemicals.—Trade generally is dull. Luton, however, reports a fair business.

Pottery.—Business is quiet, and orders from overseas are falling away.

Papermaking and Printing.—The Edinburgh papermaking trade continues to experience depression, the export branch in particular being very subdued. While the printing trade is not up to last year's level, some improvement has been seen during the past few weeks, and employment is fairly good.

Carpets.—Kidderminster trade is in a minor degree feeling the general depression of trade, and manufacturers last month reduced their prices considerably, partly on account of the lower prices of materials, and partly to keep their looms in operation. Makers of Axminsters are perhaps busiest, but orders for Spring deliveries are promising in all sections of the trade. The financial crisis in Australia is seriously affecting business.

Dominion Reports

Australia

From the National Bank of Australasia Limited

Trade continues depressed and unemployment severe. Government relief works and distribution of money and goods are ameliorating distress, but at heavy cost to taxpayers. Agricultural prospects are generally favourable. The wool auctions opened with competition keen at prices close to the level of June last. Exports of frozen lamb should equal those of last year, but wheat price prospects are depressing.

Canada

From the Imperial Bank of Canada

The autumn trade revival has been disappointing, and it is clear that any real business improvement can only follow the re-establishment of more normal buying power in the farming areas and among the industrial workers. Meanwhile current business statistics, such as the returns of imports and exports, and those of employment, production, building and car-loadings, are still disappointing, and it appears that the steps taken to prevent over-production in the newsprint industry are proving ineffective.

India

Bombay mail advices state that low prices were the cause of a better demand for raw cotton in September, and that Japanese spinners bought considerable quantities. Stocks of piece-goods have been moving from the mills with greater freedom, and demand from up-country has broadened. Prices, however, remain poor. Despite the boycott, there has also been a slightly better off-take of imported goods. Later cable advices state that rainfall has been satisfactory everywhere and crops are making good progress. Rangoon reports by mail that demand for rice is very limited and prices unsatisfactory. In the timber market the Indian railways have recently called for tenders for the supply of teak squares. Sales of hardware remain poor, and dealers still have large stocks on their hands, and are experiencing some difficulty over collections. Hence they are not considering fresh business at present.

Irish Free State

Harvesting has been impeded by the bad weather, and oats, wheat and potatoes are particularly disappointing. Considerable damage has been done by floods in Limerick and Clare. Demand for cattle is slow.

Foreign Reports

France

From Lloyds & National Provincial Foreign Bank Limited

Paris.—Imports for the first nine months of 1930 were valued at Frs. 39,244 millions, as against Frs. 43,858 millions for

the corresponding part of 1929. Exports were valued at Frs. 32,660 millions, as against Frs. 37,006 millions in 1929. Stock Exchange prices weakened during early October in sympathy with world influences. "Internationals" consequently were the most affected, and high-grade French securities did not depreciate very much.

Bordeaux.—The vintage is taking place under ideal weather conditions. The bad weather experienced last summer, however, has made the harvest a small one, and has probably affected its quality. The rosin market is weak and business very limited.

Havre.—The September United States Bureau report had no adverse affect upon the cotton market, and prices are a little better. Coffee prices rose sharply on reports of unfavourable weather, and on the news of the Brazilian disturbances.

Lille.—The textile markets remain very unsatisfactory, and confidence in prices has yet to be regained. World stocks of cotton goods, are far in excess of current requirements. Demand for flax is limited, and prices favour buyers. Growers, however, may benefit from the reported decision of the French Government to control imports of Russian flax. Jute purchases have been restricted to current needs. Hemp prices, though low, have not brought out any fresh business, as spinners are awaiting a further reduction.

Roubaix.—Wool prices have again weakened, and the tops market has been affected, as buyers are holding back. The decline is most serious in the case of noils, which fell by 20 per cent at the last public sales in Tourcoing. Stocks of combed wool were naturally reduced by the recent strikes, and combers consequently are fully employed. Spinners are also fairly busy, but orders are of small dimensions, and the outlook is uncertain. Export trade with Brazil has been restricted as the result of the revolution. Weavers have noticed a revival in the demand for dress goods, but less interest is being shown in men's suitings. Orders generally are limited, and prices unremunerative.

Marseilles.—The market in ground nuts and copra is quiet, and prices have again declined. Business in olive oil is restricted. Prices are a little weaker, due, it is believed, to the fall in the Spanish Exchange. Crop reports from Spain and Greece are good, but those from Tunis and Algeria are very pessimistic.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Brussels.—Demand for iron and steel products is a little better, but prices show no improvement. Still it is thought that the bottom has now been reached. Coal stocks are increasing, and prices remain poor with no revival in demand. British competition is extremely keen. The chief firms in the glass industry are arranging to amalgamate in a new combine, to be called the "Union des Verreries Mécaniques Belges." It is hoped by this means to lower costs and develop sales. On the Bourse, gilt-edged stocks have remained firm, but industrial issues have weakened. Money is plentiful.

Antwerp.—With the exception of coffee, which advanced in price as the result of the Brazilian revolution and the shrinkage in Antwerp stocks, commodity prices have again fallen. Stock Exchange prices are weak, with the exception of those for Government issues, and business is inactive.

Germany

From the Bank of British West Africa Limited

The foreign trade figures for September show a remarkable improvement, exports having increased to RM. 1,001 millions, while imports receded to RM. 736 millions. Exports were RM. 200 millions below the figure for September, 1929, but allowing for the general fall in wholesale prices, their volume can be very little below that of the preceding year. In view of the crisis on the world markets, the manner in which Germany is maintaining her foreign trade must be regarded as a remarkable achievement. Unfortunately, conditions on the home market remain unsatisfactory. The number of unemployed increases steadily, agriculture is in a bad way, and the shrinkage in imports, whilst increasing the export surplus, is evidence of the decrease in the buying power of the country.

Holland

News from home industries is on the whole reassuring, and the electric lamp and wireless trades in particular appear to be developing satisfactorily. Unemployment has grown slightly

worse, but has not yet assumed alarming dimensions. On the other hand considerable anxiety is felt as to the position of rubber and sugar growers in the Dutch East Indies, though it is felt that prices must by now have fallen as far as they can. The difficulties of the Dutch East Indies are reacting upon those who derive their income from those areas and also upon certain trades, such as those making machinery for the sugar industry, which depend upon the East Indies as their chief market.

Norway

The first returns of the 1930-31 whaling season have had a good reception, and prices of whaling shares have improved. The pitwood market weakened at the end of September, and as prices were unacceptable to exporters, very little business passed. No improvement has since occurred. Competition from Soviet Russia has for the moment put an end to business in round mining timber, and demand for partly square timber and for planed wood has remained very limited.

Sweden

Export markets remain weak, and further restrictions of output are being considered by several of the leading industries. Commodity prices continue to fall, the decline during the year ended September last being 11.4 per cent. The budget surplus for 1929-30 is returned at Kr. 18,300,000. This is regarded as excessive, and as reinforcing the general demand for a reduction of taxation.

Denmark

The country remains relatively prosperous in the face of the general world depression, but some anxiety is felt in business circles as to the outlook, and it is pointed out that the recent upward trend of wages, together with the fall in prices, may eventually lead to increased unemployment. Butter and bacon prices have again fallen, and the latter now stand at an unremunerative level. Still, the latest fall has brought out fresh orders, partly from Great Britain. There has been a further decline in industrial share prices on the Stock Exchange, but gilt-edged bonds remain firm.

Spain

The restoration to Spain of the liberty of the press and the right of public meeting has been marked by strikes and disorders, which, perhaps, were only to be expected after seven years of repression. Though the Government has up to the present been able to control the situation, the rise in retail prices and the scarcity of certain articles of food are providing material for agitation, and making it imperative that decisive action should be taken to end the present financial uncertainty. The unrest has adversely affected the exchange, which during the month depreciated to a low record of above 50 pesetas to the pound sterling. It is now hoped that the commencement of the autumn fruit season will tend to assist the Central Currency Office in its endeavours to support the peseta. By a Royal decree the Bank of Spain has been authorised to place funds abroad at the disposal of the Treasury, and a commission has already proceeded abroad, with a view to discussing Spain's monetary problem with certain State banks and with the Bank for International Settlements. It is believed that these measures form part of a definite plan for the stabilisation of the peseta.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

Compared with last year, prospects are less favourable in the metal and machine industry, and a decline of 30 per cent has taken place in textile machinery exports. The watch industry shows no improvement, and unemployment is slightly worse. On the other hand, factories engaged in making electrical apparatus are well occupied. The general trade recession is reflected in the Federal Railway figures, and also in the turnover of Swiss postal cheques. On the stock market business has fallen away, and practically all bonds and shares show a decrease in price of from 5 to 10 per cent. Money is very plentiful and cheap.

Morocco

From the Bank of British West Africa Limited

Trade conditions have remained quiet, but with no marked aggravation. Failures, in fact, are less numerous than had previously been feared. English cottons are in better demand.

Egg exports are active, but cereals are being held back in hopes of better prices. Rain is wanted, but otherwise the weather outlook is fair. Construction work, particularly in Casablanca, Rabat and Fez, is being continued on a large scale. The transport service with Europe is being augmented.

The United States

Trade remains extremely depressed. It is true that September witnessed a slight seasonal improvement, but general conditions are far from satisfactory. The number of furnaces in blast was reduced during September from 139 to 123, and the United States Steel Corporation returned at the end of the month unfilled orders of only 3,424,338 tons, this being the smallest figure recorded for several years. Commercial failures remain heavy, the September figures being 1,963 defaults for a total of \$46,947,000. On the other hand, there is a better demand for cotton goods, and stocks have been reduced. Latest official reports indicate that current harvests will be rather larger than was suggested by earlier estimates.

South America

From the Bank of London and South America Limited

Buenos Aires.—The political situation is quiet, and the new Government is engaged in reorganising the administrative departments. Trade is dull, as exporters have little business in hand, and importers' activities are restricted by the recent fall in the exchange. Weather and crop prospects are excellent.

Monte Video.—The cattle market is active, and prices for first-class beasts are firm. The wool clip promises well. It is reported to be of good length, but of lighter weight than last season. The weather remains favourable.

Valparaiso.—Nitrate shipments are increasing. Wheat prospects are less favourable than a year ago, when a larger area was under cultivation, but a good bean harvest is anticipated.

Bogota.—Recent rains have improved the agricultural outlook. The coffee market has become firmer with the scarcity of supplies.

Statistics

Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.	Per cent.	Bankers' Deposits.	Govt. Securities.	Discounts & Advances
1929.	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
Oct. 23 ..	131.8	357.4	35.6	31.7	59.1	69.5	4.2
1930.							
Oct. 1 ..	155.6	359.4	57.4	48.7	61.3	44.5	11.9
Oct. 8 ..	157.5	359.6	59.1	52.0	66.4	44.7	4.9
Oct. 15 ..	157.8	357.1	62.0	54.0	66.2	42.3	5.1
Oct. 22 ..	158.9	354.5	65.6	55.8	55.5	41.6	5.0

2. TEN CLEARING BANKS

Date.	De- posits.	Accept- ances.	Cash.*	Call Money.	Bills.	Invest- ments.	Ad- vances.
1929.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
September ..	1,791.8	188.7	243.6	150.3	224.1	256.2	988.3
1930.							
April ..	1,749.7	159.0	244.8	135.8	209.6	240.4	984.3
May ..	1,779.8	144.1	239.6	139.3	248.0	246.6	972.4
June ..	1,829.4	130.0	251.2	145.7	273.3	248.0	977.1
July ..	1,830.9	124.5	243.2	145.3	286.4	255.8	966.7
August ..	1,803.8	121.7	236.0	137.2	281.2	265.4	950.7
September ..	1,800.7	117.8	233.0	136.2	285.7	270.1	941.9

* Includes balances with other banks and cheques in course of collection.

3. LLOYDS BANK. RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio.	
			1929	1930
1902	58.2	January	46.8	45.1
1907	51.5	February	45.9	44.2
1914	49.9	March	45.2	44.5
1919	60.7	April	44.9	45.1
1920	56.7	May	44.1	44.0
1921	50.7	June	44.5	44.4
1924	51.0	July	45.4	44.7
1925	49.6	August	45.3	44.4
1926	48.6	September	45.3	44.7
1927	47.4	October	45.6	
1928	46.4	November	44.7	
1929	45.2	December	45.3	

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	LONDON.			NEW YORK.		
	Bank Rate.	3 Months' discount Rate.	Day-to-day Loans.	Re-discount Rate.	90 Days' eligible Bank acceptances.	Call Money.
1929.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Oct. 23 ..	6½	6—½	4½—5½	6	5½	6
1930.						
Oct. 1 ..	3	2½—½	1½—2	2½	2	2
" 8 ..	3	2½—½	1½—2	2½	2	2
" 15 ..	3	2½—½	1½—2	2½	2	2
" 22 ..	3	2½	1½—2	2½	2	2

2. FOREIGN EXCHANGES

London on	Par.	1929. Oct. 23.	1930.			
			Oct. 1.	Oct. 8.	Oct. 15.	Oct. 22.
New York ..	\$4-866	4-87½	4-85½	4-85½	4-85½	4-85½
Montreal ..	\$4-866	4-92½	4-85½	4-85½	4-85½	4-85½
Paris ..	Fr. 124-21	123-86	123-82	123-83	123-95	123-83
Berlin ..	Mk. 20-43	20-40½	20-41½	20-42	20-43½	20-40½
Amsterdam ..	Fl. 12-11	12-09½	12-04½	12-04½	12-05½	12-06½
Brussels ..	Bel. 35	34-87½	34-84	34-83	34-85½	34-85½
Milan ..	Li. 92-46	93-11	92-77	92-79½	92-81½	92-82½
Berne ..	Fr. 25-22½	25-16½	25-03½	24-00	24-00	25-02½
Stockholm ..	Kr. 18-16	18-15½	18-09	18-09	18-09½	18-10
Madrid ..	Ptas. 25-22½	34-12½	46-97½	48-57½	50-80	46-40
Vienna ..	Sch 34-58½	34-70½	34-43	34-44	34-44	34-45½
Prague ..	Kr. 164-25	164½	163½	163½	163½	163½
Buenos Aires	47-62d.	46½	39½	38½	37½	38½
Rio de Janeiro	5-89d.	5½	5½	4½	4½	4½
Valparaiso ..	Pes. 40	39-55	39-95	39-96	39-98	39-97
Bombay ..	18d.	17½	17½	17½	17½	17½
Hong Kong ..	—d.	21½	15½	15½	15½	15½
Shanghai ..	—d.	27½	19½	19½	19½	19½

* Nominal

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To		Expenditure.	To	
	Oct. 18, 1930.	Oct. 19, 1929.		Oct. 18, 1930.	Oct. 19, 1929.
Income Tax ..	66-0	64-4	Nat. Debt Service ..	166-7	180-9
Sur-Tax ..	14-4	12-4	Local Taxation a/c		
Estate Duties ..	45-6	44-7	payments	1-5	3-9
Stamps ..	8-9	12-7	Northern Ireland payments	2-8	2-4
Customs ..	66-1	67-7	Other Cons. Fund Services	—	2-0
Excise ..	69-4	71-4	Supply Services ..	226-4	190-4
Tax Revenue ..	—	—	Ordinary Expenditure ..	397-4	379-5
Non-Tax Revenue ..	—	—	Sinking Fund ..	24-5	23-1
Ordinary Revenue	328-9	318-5	Self-Balancing		
Self-Balancing			Expenditure	38-5	37-2
Revenue	38-5	37-2			

1. PRODUCTION

Date.	Coal.*	Pig-iron.	Steel.
1929.	Tons mn.	Tons thou.	Tons thou.
September	5.1	655	848
1930.			
April	4.5	620	696
May	4.9	615	692
June	4.1	563	600
July	4.2	486	621
August	4.2	417	451
September	4.6	425	581

* Average weekly figures for month.

2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1929.	£ mn.	£ mn.	£ mn.	£ mn.
September	45.1	24.2	28.4	98.4
1930.				
April	36.7	20.7	25.6	83.9
May	39.6	23.1	27.7	91.0
June	37.6	20.4	24.5	83.4
July	39.2	19.1	26.0	85.2
August	37.1	17.5	24.2	79.9
September	36.7	16.5	24.6	78.7

3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1929.	£ mn.	£ mn.	£ mn.	£ mn.
September	4.8	6.5	42.2	55.1
1930.				
April	3.6	5.4	36.7	46.9
May	3.8	5.8	39.8	51.0
June	3.2	4.7	33.8	42.8
July	4.4	5.2	39.7	50.7
August	4.0	4.4	33.1	42.8
September	4.2	5.0	32.1	42.7

4. UNEMPLOYMENT

Date.	1925.	1926.	1927.	1928.	1929.	1930.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End of—						
January ..	11.5	11.0	12.0	10.7	12.2	12.6
February ..	11.3	10.4	10.9	10.4	12.2	13.1
March ..	11.1	9.8	9.8	9.5	10.1	14.0
April ..	10.9	9.1	9.4	9.5	9.9	14.6
May ..	10.9	14.3	8.7	9.8	9.9	15.3
June ..	11.9	14.6	8.8	10.7	9.8	15.8
July ..	11.2	14.4	9.2	11.6	9.9	17.1
August ..	12.1	14.0	9.3	11.6	10.1	17.5
September ..	12.0	13.7	9.3	11.4	10.0	18.1
October ..	11.4	13.6	9.5	11.8	10.4	
November ..	11.0	13.5	9.9	12.1	11.0	
December ..	10.4	11.9	9.8	11.2	11.1	

Percentage of Insured Workers.

336 Prices

1. WHOLESALE PRICES (average for month)

Date.	Index Number (1928-9 average = 100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
1929.					
September	98.8	98.6	97.1	96.8	99.7
1930.					
April	88.6	93.3	89.9	88.0	91.3
May	86.8	91.3	88.4	86.1	90.6
June	84.9	89.0	87.4	84.6	89.8
July	83.8	86.1	86.8	82.3	90.2
August	82.4	85.7	87.4	82.5	89.9
September	80.4	85.8	86.2	81.6	89.0
September, 5th week ..	78.8	84.8	84.6	80.2	87.0
October 1st	78.6	85.4	83.9	79.7	86.8
" 2nd	78.0	85.2	83.6	79.2	86.5
" 3rd	78.4	85.2	—	78.7	86.4

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistische, Reichsamst.

2. RETAIL PRICES (end of month)

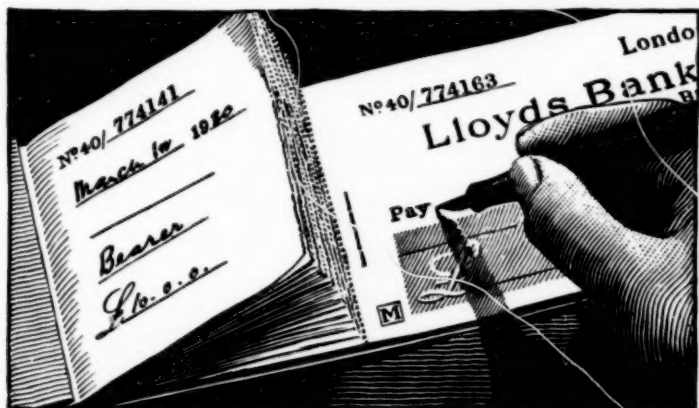
Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1929.						
September ..	56	52	115	70—75	80	65
1930						
April ..	40	53	110—115	70	80	55
May ..	38	53	110—115	70	80	54
June ..	41	53	110—115	70	75	55
July ..	44	53	110	70	75	57
August ..	44	53	110	70	75	57
September ..	43	53	105—110	70—75	75	56

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.	Cotton, American Middling.	Wool, 64's tops avge.	Pig Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
1929.	Per qr. s. d.	Per lb. d.	Per lb. d.	Per ton. s. d.	Per ton. £	Per lb. d.
September ..	59 9	10.42	34½	72 6	204½	10½
1930.						
April ..	44 7½	8.65	27½	67 6	162½	7½
May ..	44 1½	8.55	28½	67 6	144½	6½
June ..	43 5	7.93	27½	67 6	136½	6½
July ..	40 0	7.56	26½	67 6	134½	5½
August ..	39 9	6.92	27½	65 1	135½	4½
September ..	34 5½	6.22	27	63 6	132½	4½

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LLOYDS BANK LIMITED

LONDON, E.C.3